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BEFORE THE TENNESSEE REGULATORY AUTHORITY  
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T.R.A. DOCKET ROOM

IN RE: )  
)  
PETITION OF UNITED CITIES GAS )  
COMPANY FOR APPROVAL OF A ) Docket No. 01-00309  
FRANCHISE AGREEMENT WITH UNION )  
CITY, TENNESSEE )  
)  
)  
)

DIRECT TESTIMONY OF  
DON THORNTON

- Q: Please state your name, place of employment, and title.
- A: My name is Don Thornton. I am employed by Union City, Tennessee, as the City Manager for Union City, Tennessee.
- Q: How long have you been employed in that position?
- A: I will complete my 24th year as city manager for Union City this coming August.
- Q: What are your duties and responsibilities as city manager?
- A: I am responsible for carrying out the policies set by the City Council on a day-to-day basis for eight departments of the City.
- Q: Does United Cities<sup>1</sup> operate a natural gas transmission and distribution system in Union City?
- A: Yes, United Cities and its predecessors have operated for many years in Union City under various franchise agreements with the City. Each of these agreements has allowed

<sup>1</sup> United Cities Gas Company is an unincorporated division of Atmos Energy Corporation doing business in Tennessee as United Cities Gas Company. As indicated by a recent tariff filing, Atmos Energy Corporation has elected to cease doing business as United Cities Gas Company, and to instead use the company's legal corporate name, Atmos Energy Corporation. In all proceedings before the Tennessee Regulatory Authority, the terms "United Cities Gas Company" and "Atmos Energy Corporation" have the same meaning and can be used interchangeably.

United Cities to operate a gas transmission and distribution system within Union City and to use the public rights of way of the City for its distribution system and related plant and access thereto.

In 1970, the City and United Cities' predecessor entered into a franchise agreement for a term of 20 years. The agreement was amended to extend the term to 30 years, so the agreement expired in 2000. In 2000, the City and United Cities successfully negotiated the franchise agreement currently before the Authority for approval, which is for a term of 15 years.

Q: In your opinion is the continued operation by United Cities under the franchise submitted for approval to the Authority in this proceeding in the public interest?

A: Yes. Without this franchise, United Cities would be unable to feasibly operate, maintain, replace and/or extend the service to the customers it currently serves. In addition, there are no other feasible options for the supply of natural gas to the vast majority of the customers currently served by United Cities in Union City. These customers depend on United Cities to supply natural gas to their homes and businesses.

Q: At some point in 2000, did United Cities approach Union City with regard to negotiating a new franchise agreement?

A: Yes. United Cities contacted the City regarding a new franchise agreement because the previous agreement was due to expire.

Q: Were you involved in the negotiation of the 2000 franchise agreement?

A: Yes.

Q: Please describe the negotiations process.

A: Joe Conner, counsel for United Cities, and Jim Glasgow, Sr. discussed the new agreement over the telephone on several occasions. Eventually, the discussions resulted in a draft agreement, which was revised several times by both parties. Once the parties reached accord on the final agreement, the City held a public hearing during which no one opposed the new agreement. Ultimately, the agreement was presented to the City Council, which voted in favor of adopting the franchise agreement currently before the Authority.

Q: Was the issue of possible condemnation ever part of the negotiation process?

A: No.

Q: Would you characterize the negotiations process as an arm's-length negotiation?

A: Yes.

Q: Did either party unilaterally impose the terms of the agreement on the other party?

A. No.

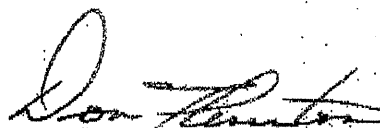
Q. Once the franchise fees are collected, how are they allocated by the City?

A. The franchise fees go into the City's general fund where it is used to support general operations.

Q. What is your opinion in regard to the necessity of the approval of this franchise agreement?

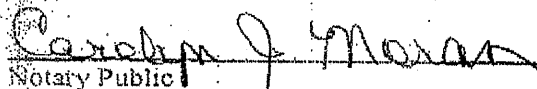
A. The franchise agreement is necessary and proper for the public convenience and properly conserves and protects the public interest of the citizens of Union City, Tennessee.

No further questions.



Don Thornton

Sworn to and subscribed before me  
this 23<sup>rd</sup> day of May, 2003.



Notary Public

My Commission Expires 3-22-05

Respectfully submitted,

BAKER, DONELSON, BEARMAN  
& CALDWELL, P.C.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed, postage prepaid, to the following person(s) , this 23<sup>d</sup> day of May, 2003.

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